

## AGREEMENT TO GUARANTEE LOANS

THIS AGREEMENT, entered into between the Iowa College Aid Commission (hereinafter referred to as "ICAC") and the Iowa Student Loan Liquidity Corporation, Des Moines, Iowa (hereinafter referred to as "ISLLC").

### WITNESSETH:

WHEREAS, ICAC, an Agency of the State of Iowa whose objectives are to provide opportunities for a higher education for all persons domiciled in the State who, though wanting such education and being qualified for it, are deterred by financial considerations.

WHEREAS, ICAC maintains a central office for the guarantee of loans made by participating lenders to students attending eligible educational institutions; and

WHEREAS, the ISLLC is desirous of participating in the Iowa Guaranteed Student Loan Program subject to the terms and conditions hereinafter set forth:

NOW, THEREFORE, in consideration of the initial loan which ISLLC acquires hereunder, and in further consideration of the mutual covenants hereinafter expressed, ICAC and ISLLC agree as follows:

1. As used herein the following words shall have the meanings respectively indicated:

Act: the Higher Education Act of 1965 (Public Law 89-329), as amended and in effect from time to time, or any successor enactment thereto, and the rules and regulations in effect from time to time thereunder.

Approved Note: a Promissory Note, with all legal addenda thereto, guaranteed by ICAC.

Borrower: a student who is the maker of an Approved Note or a parent who is the maker of an Approved Note on behalf of a student.

Default: with respect to any Approved Note, the occurrence of any event which shall constitute a default under the terms of such Note.

Eligible Educational Institution: any institution of postsecondary education which is an "eligible institution" under the Act and is qualified under the Iowa Guaranteed Student Loan Program.

IGSLP: the Iowa Guaranteed Student Loan Program as undertaken by ICAC pursuant to the State Act under which ICAC will guarantee the payment of principal and interest of eligible loans made by participating lenders.

Lender: any eligible institution, as defined in Section 435 of the Act, with which ICAC has signed an Agreement to Guarantee Loans.

Loan: a loan made to a Borrower under ICAC guarantee evidenced by an Approved Note.

Loan Application: the application for a loan on ICAC Form 1915 to be executed by the Borrower, an eligible educational institution and the Lender.

Loan Reserve Account: the fund established by the State Act for the purpose of providing for the payment of any defaulted notes under the Iowa Guaranteed Student Loan Program.

Notice of Default: a notice on ICAC Form 1908 that an Approved Note is in default.

Promissory Note: the loan contract on ICAC Form 1904 and/or 1904A.

Repayment Schedule: the schedule of installment payments which is an addendum to the Promissory Note, on ICAC Form 1906.

State Act: the Iowa College Aid Commission Act, being Chapter 1049, Laws of the Sixty-Seventh General Assembly, 1978 Session amending Chapter 261, Code of Iowa, as amended and supplemented from time to time, and regulations adopted thereunder.

Student: a person who is a resident of this State and is enrolled or will be enrolled at an eligible institution within or without the State or who is a nonresident of this State and is enrolled or will be enrolled at an eligible institution within the State and who meets eligibility requirements established by the ICAC.

Student Loan Manual: the manual describing how loans under the IGSLP are to be administered and constituting Administrative Rules established by the ICAC, as amended and supplemented from time to time.

All documents and instruments referred to in this paragraph 1 shall be in the current form as furnished from time to time and approved for use by ICAC.

2. Nothing contained in this Agreement shall obligate ISLLC to acquire any particular loan or number of loans, but ISLLC agrees that it will refinance or extend the maturity of each Approved Note evidencing a loan acquired by it under the IGSLP and each Approved Note held by it from time to time, in accordance with the terms of such Approved Note and this Agreement.

3. ISLLC agrees that, in respect of all loans acquired by it under the IGSLP and all Approved Notes held by it from time to time, it will, and it will cause its agents to:

(a) exercise reasonable care and diligence in the acquiring, servicing and collection thereof,

(b) comply with all procedures and conditions on its part to be performed as set forth in this Agreement, the Act, and State Act, and the Student Loan Manual.

(c) comply with all Federal and State laws and regulations applicable thereto, including, without limitation, the Federal Consumer Credit Protection Act and regulations thereunder, and

(d) provide promptly to ICAC such information and reports as may from time to time be reasonably requested.

4. Any Lender may, without prior approval by ICAC, transfer to ISLLC any Loan and ISLLC may, without prior approval by ICAC, thereafter transfer any such Loan to any Lender or to the Student Loan Marketing Association, provided that the ICAC shall be notified in writing of any such transfer within 30 business days of the date of such transfer. Should the ISLLC be required to transfer any such loan to a Lender, as defined in Section 435 of the Act, not holding an ICAC Agreement To Guarantee Loans, the ICAC will initiate such an Agreement upon request by the Lender and ISLLC.

5. Upon payment to ICAC of any required guarantee fee, ICAC will guarantee each Note evidencing a loan made to a student or parent on behalf of a student by ISLLC pursuant to the IGSLP; provided, however, that ICAC shall not be obligated to guarantee any such Note if:

(a) such guarantee would cause the aggregate amount of unpaid principal and interest of all notes guaranteed by ICAC to exceed the maximum dollar amount which may then be supported by its Loan Reserve Account, as required under paragraph 7 hereof or

(b) ICAC in its sole discretion determines that the procedures and requirements of applicable law and regulations, this Agreement and the Student Loan Manual have not been complied with in respect of such Approved Note.

6. ICAC will guarantee each Repayment Schedule evidencing the refinancing of a Promissory Note(s) which has/have been guaranteed by ICAC or guarantee each extension of the maturity date of an Approved Note; provided, however, that ICAC shall not be obligated to guarantee any such Repayment Schedule or Note if ICAC in its sole discretion determines that the refinancing or extension, as the case may be, is not in accordance with the terms of the underlying Approved Note of the procedures and requirements of applicable law and regulations, this Agreement and the Student Loan Manual.

7.(a) In the event of a delinquency or default in respect of any Approved Note, ISLLC shall follow the procedures set forth in the Student Loan Manual. ICAC does not guarantee payment by the borrower of any delinquency charges imposed for late payments, and will not accept a default claim based solely on non-payment of such charges. Upon receipt from ISLLC of a Notice of Default together with the Approved Note (assigned to ICAC), the Loan Application, and evidence of collection effort, ICAC will pay to ISLLC the full amount (100%) of the unpaid balance of principal and interest due on such Approved Note (other than any portion of such interest payable by the U.S. Department of Education under the Act), provided that ISLLC has complied in all material respects with the procedures and requirements of applicable law and regulations, this Agreement and the Student Loan Manual in respect of such Approved Note. ICAC shall thereupon succeed to all the rights under such Approved Note.

(b) The liability of ICAC as guarantor of any Approved Note in accordance herewith shall not be affected by the fact that the borrower was a minor at the time of execution of the Approved Note. Upon death or permanent and total disability of the borrower, the borrower's and any co-maker's liability will be discharged by ICAC as provided in (a) above.

(c) ICAC is obligated to make payments under this Agreement solely from the revenues or other funds of the Loan Reserve Account. ICAC shall not give or lend the credit of the State of Iowa.

8. ICAC covenants that it will at all times, so long as ISLLC is the holder of an Approved Note, hold and maintain a Loan Reserve Account, represented by cash or government securities having a value of not less than 2% of the aggregate amount of unpaid principal and interest of all Approved Notes covered by Federal reinsurance pursuant to an Agreement between ICAC and the U. S. Secretary of Education.

9.(a) No changes, other than the extension of the maturity date of an Approved Note pursuant to paragraph 6 of this Agreement, shall be made in the terms of any Approved Note, except with the prior written consent of ICAC. Any such change made without such consent shall have the effect, at the option of ICAC, of voiding ICAC's guarantee of such Approved Note.

(b) If ISLLC shall violate or fail to comply with any applicable law or governmental regulation or provision of this Agreement in respect of any Approved Note, then ISLLC hereby agrees to assume liability for, and does hereby indemnify, protect and hold harmless ICAC, its successors, assigns, commissioners, officers, agents and servants, from and against, any and all liabilities, losses, damages, penalties, claims, actions, expenses and disbursements, including legal fees and expenses, imposed on, incurred by them or any of them, in any way relating to or arising out of such violation or failure to comply, regardless of whether ICAC shall have purchased under its guarantee, such Approved Note from ISLLC.

10. ISLLC must at all times maintain its ICAC loan program records on a current basis and in a satisfactory form in accordance with such instructions as ICAC may issue and as the U. S. Secretary of Education may reasonably require, and shall afford access thereto at any reasonable time to ICAC or its agent and to the U. S. Secretary of Education or other agencies of the Federal Government designated by the U. S. Secretary to assure the correctness and verification of such records.

11. ICAC will furnish to ISLLC from time to time a certificate as to the names and facsimile signatures of the officers authorized to execute in its name and on its behalf guarantees of Approved Notes under this Agreement; and ICAC hereby warrants to ISLLC that the authority so certified shall continue in full force and effect until ICAC shall have delivered to ISLLC written notice of revocation thereof. No recourse under or upon this Agreement or any Approved Note or guarantee thereof, or for any claim based thereon or otherwise in respect thereof, shall be had against any commissioner, member, officer or trustee, as such, past, present or future, of ICAC or of any successor agency; it being expressly understood that this Agreement and the guarantees of Approved Notes are solely ICAC obligations; and that no personal liability whatever shall attach to, or be or shall be incurred by, the commissioners, members, officers or trustees, as such, of ICAC or of any successor agency or any of them, because of this Agreement or any Approved Note or guarantee thereof.

12. Any notice required or permitted by this Agreement shall be in writing and shall be deemed to have been duly given if mailed, first class postage prepaid, addressed (i) if to the Iowa College Aid Commission at 201 Jewett Building, Des Moines, Iowa 50309, (ii) if to ISLLC at the address indicated below, or (iii) at such other address of which the party to be notified shall have given notice as aforesaid.

13. This Agreement may be terminated by either party upon not less than 60 day's written notice to the other party. Such termination shall not affect any obligation incurred pursuant to this Agreement prior to the time that such termination notice becomes effective.

14. This Agreement shall inure to the benefit of and be binding upon ICAC and ISLLC and their respective successors and assigns. This Agreement shall not be varied by oral agreement, but only by an instrument in writing duly executed by the parties hereto. Any waiver or modification, express or implied, by ICAC of any term or condition contained in this Agreement shall operate as such only in the specific instance and shall not be construed as a waiver or modification of any such condition generally or in any other instance.

15. The obligations of the parties shall be governed by the laws of the State of Iowa and the regulations of ICAC, as from time to time amended.

IN WITNESS WHEREOF, the Iowa College Aid Commission and ISLLC have each caused

this instrument to be executed the 19th day of February, 19 81, by their respective duly authorized officers.

IOWA STUDENT LOAN LIQUIDITY CORPORATION

By

Marvin R. Selden, Jr.  
Marvin R. Selden, Jr. President

Iowa Student Loan Liquidity Corp.  
424 Tenth Street, Suite 305  
Des Moines, Iowa 50309

EIN: 42-1137531  
OE#: 827825

IOWA COLLEGE AID COMMISSION

By

Willis Ann Wolff  
Willis Ann Wolff, Executive Director

#### FEDERAL REINSURANCE

Loans made pursuant to the Higher Education Act of 1965 and guaranteed by ICAC which go into default are reinsured under an agreement with the U.S. Secretary of Education. Under that agreement 100% of the losses from such defaults will be borne by the U.S. Secretary except that: (a) if, for any Federal fiscal year, the amount of such reimbursement payments by the Secretary exceed 5% of the loans which are guaranteed by ICAC and which were in repayment at the end of the preceding fiscal year, the amount to be paid ICAC as reimbursement for such excess shall be equal to 90% of the amount of such excess; and (b) if, for a Federal fiscal year the amount of such reimbursement exceeds 9% of such loans, the amount to be paid as reimbursement for such excess shall be equal to 80% of the amount of such excess.

ADDENDUM TO AGREEMENT BETWEEN THE IOWA COLLEGE AID COMMISSION AND THE IOWA  
STUDENT LOAN LIQUIDITY CORPORATION

In the event that the Iowa Student Loan Liquidity Corporation is not granted  
tax-exempt status by the Internal Revenue Service, for whatever reason, the  
Agreement is declared null and void.

IN WITNESS WHEREOF, the Iowa College Aid Commission and ISLLC have each caused  
this instrument to be executed the 19th day of February,  
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IOWA STUDENT LOAN LIQUIDITY CORPORATION

By



Marvin R. Selden, Jr. President

Iowa Student Loan Liquidity Corp.  
424 Tenth Street, Suite 305  
Des Moines, Iowa 50309

EIN: 42-1137531  
OE#: 82725

IOWA COLLEGE AID COMMISSION

By



Willis Ann Wolff, Executive Director